

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ADP-00 FSI-01 SS-15 AID-20 CIAE-00

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OPIC-12 CIEP-02 OMB-01 PA-03 USIA-15 PRS-01 STR-08

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8280

UNCLAS SECTION 1 OF 2 JAKARTA 9601

E.O. 11652: N/A

TAGS: BEXP,ID

SUBJECT: STATE/COMMERCE COOPERATION ON COMMERCIAL PROGRAM

REFS: A. JAKARTA 0612 OF 1/19/72

B. JAKARTA 3940 OF 4/21/72

C. JAKARTA 7634 OF 6/26/72

D. STATE 141993

ABOVE REFTELS DISCUSS A NUMBER OF RECOMMENDATIONS WHICH EMBASSY PREVIOUSLY SUBMITTED AND STILL REGARDS AS APPROPRIATE FOR CONSIDERATION AT UPCOMING MEETINGS. THESE SUGGESTED TOPICS ARE BRIEFLY OUTLINED BELOW AND FOLLOWED BY ADDITIONAL SUGGESTIONS.

A. PREVIOUS RECOMMENDATIONS

1) PRIORITY CONCENTRATION ON MAJOR PROJECTS AND ON US FIRMS MOST INTERESTED IN EXPORTING. EMBASSY SUGGESTED "FOCUS ALERT PROGRAM" TO IDENTIFY MOST INTERESTED FIRMS.

2) LACK OF AGGRESSIVENESS BY US FIRMS; EMBASSY SUGGESTED SPECIAL INTERAGENCY TEAM, ARMED WITH "FOCUS UNCLASSIFIED

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ALERT" LIST OF COMPANIES AND MARKET DATA, TO MAKE

DIRECT APPROACHES TO US FIRMS ENCOURAGING EXPORTING.

3) WEAK COMMERCIAL LIBRARIES: EMBASSY SUGGESTED USDOC PROFESSIONAL ANALYSIS AND ESTABLISHMENT OF BASIC STANDARDS FOR VARIOUS SIZE LIBRARIES.

4) INADEQUATE AND NON-COMPETITIVE TRADE FINANCING, PARTICULARLY IN LC'S: USG SHOULD ENCOURAGE US FIRMS TO EXTEND MORE CREDIT TO THEIR FOREIGN AGENTS. REDUCE PAPER WORK FOR SMALL SUPPLIER CREDIT LOANS FROM EXIM. GENERAL RELAXATION OF EXIM REQUIREMENTS, MORE RISK TAKING, AND LESS RELIANCE ON GUARANTEES SO THAT EXIM CAN BEGIN PROVIDING COMPETITIVE EXPORT FINANCING WITH EUROPE AND JAPAN. AT PRESENT, EXIM'S CONCERN OVER NOT BEING AN "AID" ORGANIZATION HAS LED IT TO BE MORE CONSERVATIVE THAN COMMERCIAL BANKS IN INDONESIA.

5) SLOW DELIVERY TIME: EMBASSY SUGGESTED USG SUPPORT AND ENCOURAGE US FIRMS TO DEVELOP REGIONAL BONDED WAREHOUSES. ALSO DIRECT AID TO LDC'S IN DEVELOPING FREE PORTS AND BONDED WAREHOUSING; PLUS MAJOR EFFORT BY EXIM TO PROVIDE FINANCING FOR REGIONAL INVENTORIES.

B. ADDITIONAL RECOMMENDATIONS

1) REGIONAL MARKETING STRATEGY: THE REGIONAL TRADE CENTERS SHOULD BECOME FOCAL POINT AND BASIC COORDINATING MECHANISM FOR MAJOR REGIONAL STRATEGY ON OVERSEAS COMMERCIAL WORK. THEY SHOULD BE CHARGED WITH RESPONSIBILITY FOR PLAYING THE SAME KIND OF INFORMATION DISSEMINATION, ADVISORY, AND PROMOTIONAL ROLE THAT USDOC PERFORMS WITH US BUSINESSMEN IN THE US. TO DO SO TRADE CENTERS MUST WORK CLOSELY WITH AND KNOW THE SPECIFIC CAPABILITIES OF US FIRMS RESIDENT BOTH IN THE COUNTRY WHERE THEY ARE LOCATED AND THROUGHOUT THE REGION. THEY MUST ALSO BE COGNIZANT OF DEVELOPMENTS AND OPPORTUNITIES THROUGHOUT THE REGION. THEY MUST BE STRUCTURED AND EQUIPPED WITH

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BOTH STAFF AND FACILITIES, PARTICULARLY AUTOMATED DATA PROCESSING EQUIPMENT, REQUIRED TO EFFECTIVELY PERFORM THESE TASKS. THIS RECOMMENDATION CLOSELY RELATED TO THE REGIONAL WAREHOUSING RECOMMENDATIONS UNDER FOREGOING PARAGRAPH A.5 TO SOLVE SLOW DELIVERY TIME PROBLEMS. IT ALSO HIGHLY CONSISTENT WITH FOREGOING RECOMMENDATIONS A.1 AND A.2 CONCERNING NEED FOR PRIORITY CONCENTRATION ON THOSE FIRMS MOST INTERESTED

IN EXPORTING, MAJORITY OF WHOM HAVE ESTABLISHED REGIONAL OFFICES, AND ON CLOSE USG WORKING RELATIONSHIP WITH FIRMS TO IMPROVE THEIR AGGRESSIVENESS.

2) ACCELERATE COMPUTERIZATION OF COMMERCIAL DATA AT USDOC: WHETHER OR NOT REGIONAL STRATEGY RECOMMENDED PREVIOUS PARAGRAPH IS ADOPTED, AUTOMATED DATA PROCESSING ESSENTIAL TO AGGRESSIVE PROMOTIONAL EFFORT AND MANAGEMENT OF WORKLOAD. EMBASSIES ABROAD SHOULD BE PROVIDED WITH TERMINALS SO THAT THEY MAY ACCESS THE USDOC COMPUTER BASED INFORMATION SYSTEM DIRECTLY FOR PURPOSES OF RETRIEVAL AND ANALYSIS. A PARTICULARLY CRITICAL IMMEDIATE NEED IS FOR AN UP-TO-DATE LISTING OF LOCAL FIRMS SERVING AS AGENTS FOR US FIRMS AND THE PRODUCTS THEY REPRESENT. THE ABILITY TO QUICKLY IDENTIFY THE NEAREST LOCAL FIRM HANDLING A DESIRED AMERICAN PRODUCT IS A FUNDAMENTAL TOOL FOR PROMOTING SALES OF US PRODUCTS.

3) USDOC/STATE SHOULD SPONSOR CONFERENCES INVOLVING BOTH HOME OFFICE AND OVERSEAS PERSONNEL OF US FIRMS AS WELL AS REGIONAL USG COMMERCIAL OFFICERS TO DISCUSS PROBLEMS OF MARKETING OVERSEAS. IT APPEARS THAT GOOD DEAL OF US FIRMS' NON-AGGRESSIVENESS RESULTS FROM HOME OFFICE PREOCCUPATION WITH US DOMESTIC MARKET. CONFERENCES INVOLVING DIVERSITY OF PERSONNEL WOULD ENABLE OVERSEAS BUSINESS PERSONNEL TO DRAW ATTENTION OF THEIR HOME OFFICE SUPERIORS TO UNIQUE OVERSEAS PROBLEMS.

4) OFFICIALLY AUTHORIZE OVERSEAS COMMERCIAL OFFICERS TO WRITE OR TELEGRAPH DIRECTLY TO HOME OFFICES
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OF A LIMITED NUMBER OF US FIRMS ABOUT TRADE OPPORTUNITIES. THIS DIRECT COMMUNICATION WOULD BE SUPPLEMENTAL TO NORMAL USDOC PROCESSING AND WOULD BE LIMITED TO LARGE TRADE OPPORTUNITIES. IT WOULD REINFORCE THE USDOC CONTACT AND BRING ABOUT A SENSE OF URGENCY AND INTIMACY WHICH SHOULD HELP SPUR THE US FIRMS TO GREATER AGGRESSIVENESS.

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5) TRAINING: COMMERCIAL OFFICERS MUST BE PERSONALLY EQUIPPED TO DO THEIR JOBS. THE SIX MONTHS FSI ECONOMIC COURSE IS PRESENTLY THE ONLY SIGNIFICANT TRAINING AVAILABLE. WHILE VALUABLE BACKGROUND, IT IS NOT SPECIFICALLY DESIGNED FOR THE NEEDS OF A COMMERCIAL OFFICER. IDEALLY SUCH OFFICERS SHOULD BE SENT TO GRADUATE SCHOOL. HOWEVER, BUDGET CONSTRAINTS MAKE SUCH UNIVERSITY TRAINING FEASIBLE ONLY FOR A SELECT FEW. TO HANDLE THE BROAD NEEDS OF THE SERVICE, A SECOND SIX-MONTH INTENSIVE FSI COURSE SHOULD BE ESTABLISHED IN BUSINESS ADMINISTRATION. THE COURSE COULD DRAW ON THE EXTENSIVE EXPERIENCE GRADUATE BUSINESS SCHOOLS HAVE HAD WITH THE "CASE METHOD", PIONEERED BY THE HARVARD BUSINESS SCHOOL. CASES SHOULD BE TAUGHT IN THE BASIC BUSINESS SUBJECTS: PRODUCTION, MARKETING, FINANCE, AND CONTROL. THESE MIGHT BE AUGMENTED BY BRIEF LECTURES ON BASIC BUSINESS LAW, EXPORT DOCUMENTATION, AND EXPORT FINANCING.

6) IN ADDITION TO FORMAL TRAINING, ORIENTATION PROGRAMS SHOULD BE SET UP FOR COMMERCIAL OFFICERS ON HOME LEAVE AND RETURN, INVOLVING VISITS TO US FIRMS MAKING PRODUCTS IDENTIFIED AS HAVING PARTICULAR EXPORT POTENTIAL IN COUNTRY OF ASSIGNMENT. THIS WOULD ENABLE

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OFFICER TO ADD KNOWLEDGE OF PRODUCT TO HIS KNOWLEDGE OF MARKET, INCREASING HIS EFFECTIVENESS DURING SECOND

HALF OF HIS TOUR; CONTACT WOULD ALSO INCREASE EXPORT AWARENESS AND KNOW-HOW OF US FIRM. (BRITISH USE THE SYSTEM.)

7) THROUGH REVISION OF THE ANTI-TRUST LEGISLATION AS WELL AS TAX AND OTHER INCENTIVES, USG SHOULD ENCOURAGE THE FORMATION OF LARGE TRADING CORPORATIONS DESIGNED TO COMPETE EFFECTIVELY WITH THE JAPANESE, PARTICULARLY IN LDC'S. THESE CORPORATIONS SHOULD HANDLE A WIDE RANGE OF PRODUCTS, BE CAPABLE OF PROVIDING SIZABLE FINANCING ON A HIGHLY FLEXIBLE BASIS, AND HAVE HIGHLY QUALIFIED STAFF RESIDENT IN TARGET COUNTRIES. THE RESIDENCE FACTOR MAY BE CRITICAL TO THE PROMOTIONAL EFFORT AND TO THE DEVELOPMENT OF INTIMATE CONTACTS WITHIN THE COUNTRY. THESE IN TURN APPEAR ESSENTIAL BEFORE US BUSINESSMEN WILL BE WILLING TO ENGAGE IN THE KIND OF RISK-TAKING REQUIRED TO COMPETE ON A BROAD SCALE IN LDC'S.
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